

# Exhibit 16

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**From:** Kahn, Mike  
**Sent:** Thursday, September 23, 1999 5:37 AM  
**To:** Lamb, Maureen  
**Cc:** Nyberg, Joy; Wilson, Leslie  
**Subject:** Peak Performance Grant Dates, etc.

**Attachments:** RE: Stock Options

Maureen, here is the message from WSGR (at the bottom) and several messages back and forth for clarification. Let me know if you have questions or want to discuss.

Mike

  
RE: Stock Options

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**From:** rstern@wsgr.com  
**Sent:** Tuesday, September 21, 1999 4:53 PM  
**To:** Wilson, Leslie  
**Cc:** Kahn, Mike; Nyberg, Joy  
**Subject:** RE: Stock Options

ATTORNEY-CLIENT PRIVILEGED & CONFIDENTIAL

Hi Leslie:

I see the point. No, it is not necessary to send out an additional employee communication in this situation. The original communication seems to capture the situation appropriately. Hope this helps!

Regards,

Roger

Roger Stern  
Wilson Sonsini Goodrich & Rosati  
Employee Benefits & Compensation Group  
650-320-4818 (direct)  
650-496-4088 (fax)  
rstern@wsgr.com

-----Original Message-----

From: "Wilson; Leslie" <LESLIE.WILSON@kla-tencor.com> at Internet  
Sent: Tuesday, September 21, 1999 9:36 AM  
To: Stern, Roger  
Cc: "Kahn; Mike" <Mike.Kahn@kla-tencor.com> at Internet; "Nyberg; Joy"  
<Joy.Nyberg@kla-tencor.com> at Internet  
Subject: RE: Stock Options

Roger,

In the past, the Compensation Committee meets on a day following the determination of the individual employee stock option allocations. For FY00, this means that they could have met or are yet to meet on any day following August 27th to set the stock price. I agree that the communication already clearly states this. My question was based on the following comment in your email:

"On the HR side, the employee communication can specify that the grants  
> > will be made between now and the end of the year, and that the price  
> > and number of shares will be communicated to the employees after the  
> > Board  
> (or  
> > compensation committee) action. However, vesting will be  
> > retroactive to the usual grant date."  
>  
I am concerned that sending additional communication may imply that the Compensation Committee has not met and is yet to meet between now (e.g. September 21) and the end of the year, thereby not allowing us to price the stock grant between August 27th and today even if the committee met during that period.

Leslie Wilson  
Director, Global Compensation, Benefits and HRIS Records KLA-Tencor Corporation One Technology Drive Milpitas, CA 95035 Direct Phone (408) 875-7107 Fax (408) 571-2737  
e-mail: leslie.wilson@kla-tencor.com

> -----

> From: rstern@wsgr.com[SMTP:rstern@wsgr.com]  
 > Sent: Monday, September 20, 1999 6:45 PM  
 > To: Wilson; Leslie  
 > Cc: Kahn; Mike; Nyberg; Joy  
 > Subject: RE: Stock Options  
 >  
 > Hi Leslie:  
 >  
 > I'm not quite sure what is meant by "capture stock prices  
 > from August 31 to date of new employee communication." The price will be set on  
 > the date of the comp committee meeting, and will be 100% of the  
 > trading value on that day.  
 > So I think the communication sent out already captures that. I  
 > apologize if I am being obtuse, please feel free to clarify.  
 >  
 > Regards,  
 >  
 > Roger  
 >  
 >  
 > Roger Stern  
 > Wilson Sonsini Goodrich & Rosati  
 > Employee Benefits & Compensation Group  
 > 650-320-4818 (direct)  
 > 650-496-4088 (fax)  
 > rstern@wsgr.com  
 >  
 >  
 > -----Original Message-----  
 > From: "Wilson; Leslie" <LESLIE.WILSON@kla-tencor.com> at Internet  
 > Sent: Monday, September 20, 1999 3:38 PM  
 > To: Stern, Roger  
 > Cc: "Kahn; Mike" <Mike.Kahn@kla-tencor.com> at Internet; "Nyberg; Joy"  
 > <Joy.Nyberg@kla-tencor.com> at Internet  
 > Subject: FW: Stock Options  
 >  
 >  
 > Roger,  
 >  
 > I would like to clarify my understanding of your email below.  
 >  
 > The information that we have already communicated to employees is as  
 > follows:  
 >  
 > \* # of shares  
 > \* 4 year vesting beginning on the date of grant (25% cliff then  
 > 1/36th  
 > per month)  
 > \* Grant price to be determined as of the next meeting of the Stock  
 > Option Committee  
 > \* Exercise price and grant date will be available through the  
 > electronic stock system in early October  
 >  
 > Per your email below, I understand that we can issue another  
 > communication to employees informing them that the stock option  
 > committee meeting will be held between now (i.e. new date of employee  
 > communication) and the end of the calendar year. At that time the  
 > price will be set and the vesting commencement date can be retroactive  
 > prior to the date of grant, such as August 31st (to clarify, although  
 > we used the August 31st date last year, it has not been a standard  
 > grant or vesting date from prior years).  
 >  
 > If we choose to communicate that grants will be made between now and  
 > the end of the year, and that the price will be communicated after the  
 > Board (or compensation committee) action, does that mean that we will  
 > lose the opportunity to capture stock prices from August 31st to date  
 > of new employee communication?

>  
 > Thanks for your assistance.  
 >  
 > Leslie Wilson  
 > Director, Global Compensation, Benefits and HRIS Records KLA-Tencor  
 > Corporation One Technology Drive Milpitas, CA 95035 Direct Phone  
 > (408) 875-7107 Fax (408) 571-2737  
 > e-mail: leslie.wilson@kla-tencor.com  
 >  
 > -----  
 > > From: Kahn, Mike  
 > > Sent: Monday, September 20, 1999 10:58 AM  
 > > To: Wilson, Leslie  
 > > Subject: FW: Stock Options  
 > >  
 > > Here is the response from Wilson Sonsini.  
 > >  
 > > Mike  
 > >  
 > > -----Original Message-----  
 > > From: rstern@wsgr.com [SMTP:rstern@wsgr.com]  
 > > Sent: Thursday, September 16, 1999 2:28 PM  
 > > To: Kahn, Mike  
 > > Cc: gortega@wsgr.com  
 > > Subject: RE: Stock Options  
 > >  
 > > ATTORNEY-CLIENT PRIVILEGED & CONFIDENTIAL Here's the memo that you  
 > > requested:  
 > > BACKGROUND  
 > > KLA-Tencor is interested in delaying its annual performance option  
 > grants,  
 > > normally made around the end of September, until later in the year.  
 > > We were asked for our advice on structuring the delayed grant to  
 > > help minimize HR and financial accounting problems.  
 > > RECOMMENDATION  
 > > KLA-Tencor may make the option grants later in the year and have  
 > > vesting commencement retroactive to the usual grant date. Because  
 > > the options will be granted with an exercise price equal to 100% of  
 > > the fair market value on the date of grant, and because vesting will  
 > > be tied to the continued vesting will be based on the continued  
 > > employment of  
 > > optionees,  
 > > there will be no compensation expense for financial accounting purposes.  
 > > This is true even though the vesting commencement date precedes the  
 > actual  
 > > date of grant.  
 > > On the HR side, the employee communication can specify that the  
 > > grants will be made between now and the end of the year, and that  
 > > the price and number of shares will be communicated to the employees  
 > > after the Board  
 > (or  
 > > compensation committee) action. However, vesting will be  
 > > retroactive to the usual grant date.  
 > > Feel free to contact me with any additional questions.  
 > > Regards,  
 > >  
 > > Roger  
 > >  
 > >  
 > >  
 > > Roger Stern  
 > > Wilson Sonsini Goodrich & Rosati  
 > > Employee Benefits & Compensation Group  
 > > 650-320-4818 (direct)  
 > > 650-496-4088 (fax)  
 > > rstern@wsgr.com  
 > >  
 > >  
 > > -----Original Message-----

> > From: "Kahn; Mike" <Mike.Kahn@kla-tencor.com> at Internet  
> > Sent: Thursday, September 16, 1999 1:21 PM  
> > To: Stern, Roger  
> > Subject: Stock Options  
> >  
> >  
> > Roger,  
> >  
> > Here is the message to remind you about the email regarding stock  
> > option grant and vesting dates.  
> > Mike  
> > Michael E. Kahn  
> > Vice President, Human Resources  
> > KLA-Tencor  
> > (650) 875-5300  
> >  
> >  
> >  
> >  
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> > sole use of the intended recipient. Any review or distribution by  
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> contact  
> the sender and delete all copies.  
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